

Written Testimony of

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Thank you very much Chairwoman Velazquez, Ranking Member Graves, and the entire Committee for inviting me here today to provide this important testimony about the SBA Microloan Program and H.R. 3737.

My name is Ryan Fochler, and in 2004 I became the owner of Dog Paws 'n Cat Claws Pet Care in Arlington, VA. As you all know, small businesses are the backbone of our economy. Dog Paws 'n Cat Claws employs 3 independent contractors, 24 part-time employees, and 3 full-time staff in the Washington, DC and Northern Virginia area. We provide services for more than 1800 clients and their pets, including home visits when people are out of town or away at work. We also house a 7,000 square foot "doggie daycare" facility located in Arlington, VA.

The Pet industry accounts for \$43.2 billion per year in economic activity, and experienced a growth rate of more than 5.5% despite the recession<sup>1</sup>. And it shows no signs of slowing down. In fact, it continues to expand across multiple industries. For example: car companies now offer a full line of dealer installed pet accessories, new airline companies have taken off with the sole purpose of transporting animals in pressure and temperature controlled cabins, and many chain hotels are adopting pet friendly policies.

Which is why you may be asking yourself: if everything is so "woof-tastic" in the Pet industry, why is Ryan here?

To answer that question: I am here because despite a credit score of 720, and an exponential growth in sales of 168% over the first three years under my stewardship, Dog Paws would not be where it is today without the SBA Microloan Program.

In recognition of that fact, I am also here to thank this Committee for their work on improving the Microloan Program and to make suggestions for future changes to the program so that it can continue to help entrepreneurs like me. I am very excited about some of the changes proposed in H.R. 3737, including:

- Improving borrower education by allowing Intermediaries to allocate a greater percentage of grant dollars towards training and outsourced technical assistance.
- Opening the door to more flexible, responsible microloan products.
- Expanding eligibility requirements to increase the presence of Microloan Intermediaries across the country.
- Increasing the amount of money that an Intermediary can borrow from SBA, in order to reach more small businesses. I know that there are many more entrepreneurs out there who, like me, are told "no" by banks every single day.

All of these factors will contribute to making another entrepreneur's Microloan experience even more positive than mine, which came at a crucial time for my business.

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<sup>1</sup> American Pet Products Association

In 2007, because of our quick growth, I felt it was time to pursue my larger dream for the company: to expand beyond dog walking and create a holistic training, boarding, daycare, grooming and retail facility for people and their pets in my community. In December of 2007, I was pre-approved for a SBA 7(a) loan by Provident Bank, which gave me the green light to finalize our space and move forward with opening our store. Within two months, our retail store was experiencing both commercial success. We have even received national recognition as a "green" retail establishment<sup>2</sup>.

Unfortunately, shortly thereafter, the credit crisis hit in full force. To be specific, despite having never made a delinquent payment, our lines of credit went from \$56,000 to less than \$1,000 without warning. I felt sick to my stomach; we had grown from seven employees to twenty at that point.

This severe and, in my opinion, unwarranted reduction in credit made it nearly impossible for us to re-order new product for our retail store. It also created a horrible domino effect: the drastic lowering of our credit lines resulted in a much higher debt-to-available credit ratio for our business. Now, instead of using about 50% of our available credit, we were at 90%-- which made us look like a much riskier bet to banks and other credit card companies. My credit has since taken a nosedive not because bills weren't paid on time but because, as I was told, "You have been a good customer up until now, but there is no guarantee that you will be so in the future."

I spent the next three weeks visiting what felt like every single bank in the Washington, D.C. region. I was turned down time and again by large and small banks alike. Many of the loan officers that I met with sympathized with my situation and told me that I would have easily qualified before the financial crisis. But with the decline of my credit score, I could not get a loan from banks that themselves probably received bailout funding.

That is when I learned about the SBA Microloan Program and the Latino Economic Development Corporation (LEDC). They took a look at our books, our history of year-over-year sales and employment growth, our 100% positive credit card payments, and lent us \$10,000 in working capital.

I also got something else from LEDC: quality, in-depth technical assistance for my business. Banks give loans and send payment invoices; microlenders like LEDC do that and much more. LEDC, with all of their technical support, set Dog Paws up for success. They have ongoing one-on-one support, group events and trainings, and they think of us when they meet new business owners. Because of the over 100 hours of technical assistance I received from Microloan Program at LEDC, I am a better businessman and my company is continuing to grow at a sustainable rate.

Despite the tremendous help that we received from LEDC, Dog Paws continues to seek the capital we need to re-open our retail store. We have approximately 1,000 square feet of empty space that employees-- like my manager, who was recently laid-off from Fannie

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<sup>2</sup> Pet Product News International, August 2008

Mae-- and potential employees-- some of whom were recently laid off from Bank of America-- could go to work in right away.

But without the availability of the SBA Microloan Program and other SBA lending programs, Dog Paws 'n Cat Claws would not exist as it does today. We would most likely would not have been able to create 23 new jobs over the past year and a half. We would not be trying to figure out how to get our retail center re-opened to create more full and part-time jobs. We would not be able to outsource new trainers, groomers, and consignment stores.

Before I finish, I want to suggest a few more changes to the Microloan Program that I know will help entrepreneurs down the road:

- Increase the maximum Microloan to \$50,000. To run a successful small business—especially a retail business—larger amounts of capital are essential for ordering product.
- Do whatever you can to continue expanding this program. Believe me, the need is out there. Microloan Intermediaries like LEDC do not have the marketing and advertising muscle that banks and even credit unions have; if they did, I certainly would have knocked on their door sooner.

Small businesses are currently acting as a backstop for the economy. Despite the limited availability of credit, many of us are still finding ways to grow. We are somehow managing to create jobs while companies that are subsidized by the government or that have received bailout funds continue to lay off employees. I hope that my testimony helps you to understand how important the SBA Microloan Program is for small businesses, and why this program should not only be kept alive, but expanded as much as possible.

Thank you again for the opportunity to testify here today. I look forward to answering any questions that you may have.

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